

Message Text

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AF/C:AMB. VANCE - SUBS

EA/J:DBROWN

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-TREASURY, EXIMBANK, OPIC, AID

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C O N F I D E N T I A L STATE 182865

LIMDIS

E.O. 11652: GDS

TAGS:EFIN, ECON, CG

SUBJECT: FINANCIAL ASSISTANCE TO ZAIRE

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PASS COPIES TO TREASURY, EXIMBANK, OPIC, AND AID

1. TO HELP SEE ZAIRE THROUGH ITS CRITICAL FOREIGN EXCHANGE SHORTAGE, WHICH WILL PERSIST UNTIL THE PRICE OF COPPER REVIVES--PROBABLY SOMETIME NEXT YEAR--THE ADMINISTRATION HAS DECIDED TO MAKE AVAILABLE ON THE ORDER OF 50 MILLION DOLLARS IN ASSISTANCE. THIS WILL COMPRISE A 20 MILLION DOL EXIMBANK LINE OF CREDIT, A 20 MILLION DOL AID PROGRAM LOAN AND 10-20 MILLION DOLLARS IN PL 480 COMMODITIES AND CCC CREDITS. THE AID LOAN WOULD OF COURSE BE CONTINGENT UPON CONGRESSIONAL APPROVAL.

2. THIS OFFER HAS BEEN CONVEYED TO PRESIDENT MOBUTU BY OUR FORMER AMBASSADOR TO ZAIRE, SHELDON VANCE. VANCE TOLD MOBUTU OUR ASSISTANCE COULD BE USEFUL ONLY AS PART OF A BROADER SOLUTION, INVOLVING BOTH BILATERAL ASSISTANCE FROM OTHER GOVTS AND REFINANCING OF ZAIRE'S UNMANAGEABLE SHORT-TERM COMMERCIAL DEBT ESTIMATED AT ABOUT

550 MILLION DOLS. . (FYI: WE ESTIMATE ZAIRE'S ADDITIONAL BALANCE OF PAYMENTS REQUIREMENTS AT SEVERAL HUNDRED MILLION DOLLARS OVER THE NEXT YEAR. END FYI) TO CREATE THE CONFIDENCE IN ZAIRE'S OWN FINANCIAL MANAGEMENT NECESSARY TO GET PRIVATE CREDITORS TO AGREE TO REFINANCING, AMB. VANCE SUGGESTED, AS WE AND OTHERS HAVE BEFORE, THAT ZAIRE SEEK AGREEMENT WITH THE IMF ON A STANDBY LOAN AND ASSOCIATED STABILIZATION PROGRAM. PRESIDENT MOBUTU AGREED, AND WE NOW HOPE THAT THE GOZ WILL PROMPTLY ISSUE AN INVITATION TO THE IMF TO SEND A MISSION TO ZAIRE AS SOON AS POSSIBLE.

3. DRAWING UPON INFORMATION PARAS ONE AND TWO ABOVE, ACTION ADDRESSEES SHOULD CONFIDENTIALLY INFORM HOST GOVERNMENTS OF OUR PROPOSED ASSISTANCE AND SEEK INFORMATION ABOUT ANY PLANS THEY MAY HAVE TO PROVIDE FINANCIAL RELIEF FOR ZAIRE, INCLUDING BOTH DEBT RELIEF AND NEW ASSISTANCE. DEBT REFINANCING COULD BE PARTICULARLY IMPORTANT ELEMENT WHERE GOVT AGENCY GUARANTEES SHORT-TERM COMMERCIAL CREDIT(USG PRESENTLY HAS DOL 2 MILLION. ADDRESSEES SHOULD STRESS IMPORTANCE OF TREATING THIS EXCHANGE OF INFORMATION WITH UTMOST DISCRETION. MOBUTU CONFIDENTIAL

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IS QUITE SENSITIVE ABOUT APPROACH TO IMF AND WOULD REACT BADLY IF HE LEARNED OTHER GOVERNMENTS CONSULTING "BEHIND HIS BACK, ABOUT ZAIRE'S FINANCIAL PROBLEM.

4. FOR BRUSSELS: DEPT PLANS EARLY EXCHANGE OF INFORMATION ON ASSISTANCE PLANS WITH BELGIAN DCM CAHEN, WHO TOLD VANCE BEFORE LATTER'S VISIT TO KINSHASA LAST WEEK THAT BELGIAN GOVT HAD ASKED HIM TO CONSULT WITH USG

ON THIS SUBJECT. WE WILL REPORT RESULTS OF TALK WITH CAHEN AND ANY FOLLOW-UP ACTION HE MAY SUGGEST ON PART OF EMBASSY BRUSSELS.

5. FOR PARIS: IN MEETING WITH VANCE, MOBUTU REPORTED THAT GOF HAD AGREED PROVIDE DEBT RELIEF ALONG FOLLOWING LINES: NO PAYMENT UNTIL END OF 1975 ON DEBTS DUE TO FRENCH CENTRAL BANK OR TO FRENCH COMMERCIAL BANKS (PRESUMABLY GUARANTEED BY GOF); IN 1976, IF COPPER PRICES DO NOT RISE APPRECIABLY (NO LEVEL MENTIONED), ZAIRE WILL PAY 15 PERCENT OF AMOUNTS DUE; 30 PERCENT WILL BE PAID IF COPPER PRICES DO RISE APPRECIABLY (AGAIN NO LEVEL MENTIONED); ALL PAYMENTS WILL BE BROUGHT UP TO DATE BY 1977, EXCEPTED FROM RELIEF PROVISIONS ARE PAYMENTS FOR MIRAGE PURCHASE, WHICH MUST BE MADE ON SCHEDULE. MOBUTU MENTIONED POSSIBLE NEW GOF ASSISTANCE. THERE HAVE BEEN REPORTS IN PAST OF POSSIBILITY OF 100-150 MILLION DOLLAR FRENCH LOAN SECURED BY FUTURE DELIVERIES OF COPPER, AND IMF STAFF HAS TOLD US IT NOW UNDERSTANDS SOMETHING OF THIS SORT PLUS A TIED COMMODITY LOAN MAY BE PART OF OVERALL FRENCH PACKAGE. MOBUTU'S PRINCIPAL ECONOMIC ADVISER, BISENGIMANA, TOLD VANCE HE WOULD PROVIDE DETAILS OF FRENCH ASSISTANCE, AND EMBASSY KINSHASA IS FOLLOWING UP. FOR THE TIME BEING AT LEAST, WE DO NOT INTEND TO RAISE THE ISSUE WITH GOF. INGERSOLL

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